

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2004-110-C - ORDER NO. 2004-580
NOVEMBER 23, 2004

IN RE: Application of Farmers Telephone Cooperative,) ORDER DENYING
Inc. for Approval to Increase Depreciation of a) INCREASE IN
Portion of its EWSD Central Office Switches) DEPRECIATION RATES

This Order comes before the Public Service Commission of South Carolina (the Commission) on the Application of Farmers Telephone Cooperative, Inc. (Farmers or the Coop.) for approval of an increase in depreciation of a portion of its EWSD Central Office Switches to 25%. Because of the following reasoning, the Application is denied.

The Commission's Executive Director ordered Farmers to publish a Notice of Filing in newspapers of general circulation in the areas affected by the Application. The Coop. furnished affidavits to prove that it had followed the instructions of the Executive Director. Two Petitions to Intervene were filed, one from the South Carolina Cable Television Association (SCCTA) and one from the Consumer Advocate for the State of South Carolina (the Consumer Advocate).

Accordingly, a hearing was held on July 7, 2004, at 1:30 PM in the offices of the Commission, with the Honorable Randy Mitchell, Chairman, presiding. The Applicant Farmers Telephone Cooperative, Inc. was represented by William E. Durant, Jr., Esquire. The Consumer Advocate was represented by Elliott F. Elam, Jr., Esquire. SCCTA was

represented by Frank R. Ellerbe, III, Esquire. The Commission Staff was represented by F. David Butler, General Counsel.

The Coop. presented the testimony of Jeffrey L. Lawrimore (Direct and Rebuttal). The Consumer Advocate presented the testimony of Allen G. Buckalew. Neither SCCTA nor the Commission Staff presented any witnesses.

Jeffrey L. Lawrimore, Chief Financial Office of the Coop., testified in support of the revised depreciation rate. Lawrimore stated that the Coop. sees the need to move toward a packet switched network and that one of the steps needed to accomplish this move was to add soft switches to the network. Lawrimore noted that deployment of soft switches will immediately take the trunk side portion of the current switches out of service. Deployment of soft switches has additional advantages for FTC, according to Lawrimore, by allowing the avoidance of certain other costs, for example. Lawrimore stated that the new depreciation rate would have no effect on the South Carolina Universal Service Fund or the Interim LEC Fund.

Allen Buckalew, an Economist, testified on behalf of the Consumer Advocate. Buckalew opposed the change in the depreciation rate to 25%. According to Buckalew, FTC's request is outside the normal depreciation range accepted by the Federal Communications Commission (FCC). The low end of the FCC range is a 12-year life, and the high end is 18 years. Buckalew flatly stated that a 4 year write-off as requested by Farmers should be rejected. Further Buckalew alleges that, although the new depreciation rate would not increase rates to Farmers ratepayers, ratepayers in South Carolina and the

rest of the nation will increase their subsidy to Farmers through the Federal Universal Service Fund.

Lawrimore also filed rebuttal testimony to state that the increase in depreciation rates would be only to 15.3% annually and that the increase in depreciation rate would cause no impact on the State Universal Service Fund.

After due consideration, we deny the Application at this time. The record just does not support the request for the four year depreciation window. Further, we discern no specific evidence in the record which would allow the Commission to reduce the current depreciation schedule. However, this ruling is without prejudice to Farmers' right to refile at a later date and to attempt to establish the appropriate basis for the relief that they seek.

There are two outstanding motions in this matter. SCCTA moves to strike certain portions of the direct testimony of Lawrimore. We deny the Motion to Strike. We simply do not find the disputed portions of the testimony to be credible, since, in this case, an accountant is giving an opinion on engineering principles, such as the lives of switches. Further, the SCCTA Motion for Directed Verdict is moot, considering the fact that we proceeded to rule on the merits of the case, basing our decision on the lack of evidence in the record to support the proposal in the Application.

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This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

/s/
Randy Mitchell, Chairman

ATTEST:

/s/
G. O'Neal Hamilton, Vice Chairman

(SEAL)